

TENNESSEE HOUSING DEVELOPMENT AGENCY  
BOARD OF DIRECTORS  
May 16, 2002

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, May 16, 2002, at 1:00 P.M. in Conference Room A in Suite 1116, Parkway Towers, Nashville, Tennessee.

The following members were present: Janice Cunningham for Steve Adams, Kim Beals for Jay Ballard, Susan Brown, Bill Bruce, Gerald Reed for Riley Darnell, David Hayes, Harold Hunter, Ronnie Knight, Bill Long, Ann Butterworth for John Morgan, Peter Abernathy for Warren Neel, Ralph Perrey, and Jerry Sisson.

The following members were absent: Mark Cunningham, Leigh Ferguson, Carolyn Flagg, Jeff Reynolds, Larry Rogers, and Caestine Williams.

Chairman David Hayes opened the meeting for public comment. No one asked to address the Board. Chairman Hayes then declared a quorum was present and called the meeting to order. Upon motion by Mr. Bruce, seconded by Ms. Brown, the minutes of the March 21, 2002, meeting were approved as distributed.

Janice Myrick, Executive Director, recognized Gretchen Mason, Family Self-Sufficiency Coordinator, for five years of State service, and Steve Lamb, an employee in Mortgage Administration, for fifteen years of State service.

Kathy Whalen, Director of Contract Administration, presented the Agency's first Employee of the Quarter Award to David Castle, MIS Support Specialist. Employees below the chief level may be eligible to receive the award and are nominated by senior staff. Mr. Castle was selected for his work in assuring that Contract Administration's data systems run efficiently and accurately, his part in the conversion from one type of communication to another, and giving Contract Administration staff the security that the job is going to be done. Ms. Myrick thanked David for his work.

Ms. Myrick advised that the Summary of Agency Activity Report in the Monthly Report packet that was distributed prior to the meeting has been revised. Revised sheets are available and are also available online. No questions were raised regarding the Monthly Report.

The Bond Finance Committee agenda items were next. Ms. Butterworth reported that the Bond Finance Committee met on May 15, 2002. The first agenda item was the Schedule of Financing for FY2002-2003. The Agency is statutorily required to annually prepare and adapt a Schedule of Financing which shows and discloses its planned issuance of debt. The Schedule of Financing must also be approved by the State Funding Board. The Bond Finance Committee approved the Schedule of Financing for FY2002-2003 and recommends approval by the Board. Upon motion by Ms. Butterworth, seconded by Mr. Knight, the Board unanimously approved the Schedule of Financing for FY2002-2003 as distributed.

The next Bond Finance Committee item was the Resource Update. Ms. Butterworth noted that the Update made it apparent that the Agency would need additional funds for originating new single-family mortgage loans; therefore, the Bond Finance Committee considered a new bond issue. The anticipated bond sale date is June, with the closing in July. The Bond Finance Committee Board approved the Plan of Financing for Bond Issue 2002-2 and recommended approval of the transaction to the Board. Ms. Butterworth entered a motion for approval, and Mr. Long seconded the motion. Lynn Miller, General Counsel, described the documents presented for Board consideration, including a Board Resolution authorizing the transaction and delegating authority to the Bond Finance Committee to work out details of the transaction. Ms. Miller added that a Bond Purchase Agreement is included since CSG Advisors recommended a negotiated, rather than a competitive sale due to the current budget situation. The Agency is also considering insuring the bonds as in the last bond issue. With no further discussion, the Board unanimously approved the Board Resolution authorizing the Issue 2002-2 Bonds.

The next agenda item for Board action was a Reimbursement Resolution. Ms. Butterworth stated the bond closing will be delayed to avoid some negative arbitrage so there will be a delay in receipt of the Issue 2002-2 Bond proceeds. Since the Agency may need funds for mortgage loans, the Bond Finance Committee considered and approved the Reimbursement Resolution for an amount not to exceed \$20 million. Upon motion by Ms. Butterworth, seconded by Mr. Perrey, the Board unanimously approved the Reimbursement Resolution.

Ms. Butterworth advised that the Bond Finance Committee had received an update on revisions on the investment report. There were no other Bond Finance Committee items.

Susan Brown, Chairman of the Grants Committee, presented that Committee's agenda items. Ms. Brown called attention to the matrices and cover memorandum from Jane Boles, Director of Community Programs, regarding 2002 HOME Applications. The Agency's 2002 allocation is around \$16.7 million, with 10% of the funds set aside for administrative costs, and 15% for CHDOs. Almost \$2.7 million is available for CHDOs, over \$5 million is available for urban projects, and about \$7.7 million is available for rural projects.

The Agency received 13 CHDO applications, 34 urban applications, and 98 rural applications. The Grants Committee recommends funding approval of CHDO applications for HDC of the Clinch Valley, Buffalo Valley, Alpha Omega Veterans Service, Knox Housing Partnership, Volunteer HSG Development Corp., Scott-Morgan CDC, and Cooper Young CDC. Urban round applications recommended for funding approval are Blount County Habitat, McKendree Village, Loudon, Jonesborough, AIM Center, Professional Counseling, Townsend, Alcoa, ADFAC, Carter County, Sevierville, Mason, Pittman Center, Sevier County, Rogersville, Blount County CAA, Norris, and Gilt Edge. Rural round applications recommended for funding approval are Lakeway Center, Gates, Crab Orchard, Union City, Halls, Paris, Samburg, SETHRA, Morristown, Professional Counseling, Quinco Mental Health, Dyersburg, Lexington, Volunteer Behavioral, Tiptonville, Hancock County, Sneedville, Carey Counseling, Englewood, Lake County, and Ridgely. Upon motion by Mr. Reed, seconded by Mr. Hunter, the motion carried and the Board unanimously approved the 2002 HOME awards as recommended by staff.

Ms. Brown said the next item on the agenda was the House the General Assembly Built, a partnership program with Habitat for Humanity. The Agency has funded the program for two consecutive years. She reported that the Grants Committee is very supportive of funding the third and final year; however, the Committee feels it is appropriate to defer action on this item until the next Board meeting, after the state budget issue has been resolved.

Ms. Brown informed the Board about the next agenda item, JONAH Affordable Housing Organization. JONAH is a CHDO in the Jackson area that received HOME grants in 1998, 1999, and 2000. JONAH has developed 5 rental units and purchased some vacant lots. The Agency does not feel JONAH can complete its project and plans to recapture JONAH's unused HOME funds of over \$700,000. The Agency will continue to work with JONAH and assist them with some capacity building issues so that they can apply in future years.

Ms. Myrick shared a non-agenda item with the Board. Ms. Myrick reported that four Tennessee cities (Bluff City, Kingsport, Johnson City, and Bristol) along with Bristol, Virginia, plan to develop a HOME Consortium to form a Participating Jurisdiction (PJ). The consortium would receive direct funding of approximately \$750,000 per year in HOME funds. The Agency would no longer administer those funds and would lose \$1.10 for every \$1 allocated to the consortium. The consortium must submit their HUD application by the end of June. Ms. Myrick received a very brief letter from Bristol, Virginia's mayor requesting that Ms. Myrick sign a certification that this consortium is being formed to alleviate affordable housing concerns in Tennessee. Chairman Hayes recognized Mr. Steven Seifried, Executive Director of Eastern Eight Community Development Corporation, a non-profit agency interested in the consortium. Following lengthy discussion of the request, the Board decided that the Executive Director has discretion to make the decision to provide the certification or not. The Grants Committee will consider the impact of the consortium in the next HOME grant application cycle.

Jerry Sisson, Chairman of the Policy & Programs Committee, presented the Committee's agenda items. The first item was the continuation of the New Start 0% Mortgage Program. Mr. Sisson informed the Board that a little more than \$1.5 million of the \$5 million set aside for the Program has been lent. The Program is scheduled to expire June 30, 2002, but it is expected that the balance of approximately \$3.5 million could be allocated by fall. Based upon the Policy & Programs Committee recommendation, Mr. Sisson entered the motion to extend the Program until all New Start 0% Mortgage Program funds are lent, or until December 31, 2002. Mr. Bruce seconded the motion, and the motion was unanimously approved.

The Multifamily Prepayment Policy was the next item on the agenda. Mr. Sisson advised that the Policy & Programs Committee recommends that the Agency allow prepayment of multifamily loans with the condition that (1) there is no uncured default under the THDA note or deed of trust as of the prepayment date; (2) recordation of a restrictive covenant; (3) assignment of the HAP Contract to HUD prior to the prepayment date; (4) payment of an amount, in addition to the outstanding principal balance at the time of prepayment, necessary to purchase, as of the date of prepayment, a U.S. Treasury Bond with a maturity date closest to the originally scheduled maturity date of the THDA loan that provides the same investment yield THDA would receive if the loan remained outstanding to its originally scheduled maturity date; and (5) payment in full of the amounts due under the THDA note and deed of trust of the prepayment

date. The Committee also recommends that the Board authorize Agency staff to execute the necessary documents to effect releases and prepayments and the matter would not continually come before the Board. Following Mr. Sisson's motion to approve, seconded by Ms. Cunningham, the Board unanimously approved the motion as entered.

Lynn Miller, General Counsel, advised that the Policy & Programs Committee did recommend that the language in items 4 and 5 be modified so they are taken together as one item. This modification does not change the concept of the motion that carried and a revision to the Multifamily Prepayment Policy will be distributed.

Mr. Sisson reported that on Friday, May 17, 2002, the Agency will submit an application for HUD grant funds to be used for the Homebuyer Education Initiative. Plans are to use Agency funds, HUD funds, and AmSouth Bank funds to educate trainers at no cost. Trainers from different non-profit agencies across the State would then provide training to potential homebuyers. The Agency will provide materials and technical assistance, and will maintain statistical data on the program.

The next agenda item was a status report on Tax Credit Applications. Mr. Sisson advised that the applicant regional breakdown included in the Board material is incorrect. Applicant breakdown is as follows: 19 from West Tennessee, 22 from Middle Tennessee, and 15 from East Tennessee. Applications are being processed and evaluated. The Policy & Programs Committee will meet June 20, 2002, to resolve any outstanding tax credit application issues.

The process to handle requests for additional funding was the next agenda item. In response to Ms. Myrick's request for input, the Policy & Programs Committee has asked Ms. Myrick to continue responding in the manner described in her May 8, 2002, memorandum. The Committee also requests that Ms. Myrick make these requests available during review and revision of the 2003 Low Income Housing Tax Credit Qualified Allocation Plan.

The next agenda item was State legislation. Ms. Myrick informed the Board that there is little movement in State legislation impacting housing due to the current budget situation. She advised that a particular bill sent to study committee would require additional foreclosure notification. If passed, this additional requirement would be a large expense to the Agency with no benefit, and would also apply to all foreclosures across the State. Ms. Myrick confirmed that the Agency's existence has been officially extended to June 30, 2008.

The Federal legislation update was the next item on the agenda. Ms. Myrick shared that Congressman Tanner and Representative Jenkins signed on to the repeal of the ten-year rule bill. Chairman Hayes said that the single family low-income tax credit bill is making progress with the support of Congressman Bryant, Representative Duncan, and Representative Hilleary. Mr. Hayes is hopeful for support from Senator Frist.

The next item on the agenda was a report on the Appalachia Housing Summit. Mr. Harris reported that he and Lorrie Shearon, Director of Research, Planning and Technical Services, attended the summit along with other state housing agencies, non-profits, and CHDO representatives from Virginia, West Virginia, Kentucky, and Tennessee. Positive remarks were

received on the Agency's 0% New Start Mortgage Program. Mr. Harris reminded attendees that 2003 is designated the "Year of Appalachia." In celebration of the designation, the Agency will assist in the creation and distribution of a publication in order to speak to the issue of affordable housing in the area. Mr. Harris encouraged participation in the 2003 Summit scheduled to be held in West Virginia.

The next item on the agenda was an update on the NCSHA Spring Workshop. Ms. Myrick advised that the Agency normally sends six participants to these workshops; however, due to budget constraints, that number was reduced to three. Ms. Myrick, Chairman Hayes, and Mr. Harris attended the workshop in Salt Lake City. Downpayment assistance and homebuyer education were major topics at the workshop. Ms. Myrick also mentioned that some states have initiatives to combine Temporary Assistance for Needy Families (TANF) funds with housing dollars and that this partnership is being addressed at the federal level. Ms. Myrick noted that the Agency and the Department of Human Services currently work in unison to assist Families First participants. Mr. Hayes said that he attended a Section 8 session that was very informative, but his most productive meeting was with Ms. Clair P. Monier, President of the National Council of State Housing Agencies (NCSHA). Mr. Hayes is the current President of the National Council of State Housing Boards (NCSHB), and is confident that this meeting will result in better communication between the two organizations.

The next item was the upcoming NCSHB Workshop, August 11-13, in Big Sky, Montana. Brochures were distributed and those interested in attending should let Ms. Myrick know as soon as possible.

Chairman Hayes extended the invitation for the September 19, 2002, Board meeting to be held in East Tennessee. Activities are being planned for Wednesday night (September 18), with the Board meeting on Thursday (September 19), and a tour of local housing developments on Friday (September 20). Mr. Hayes shared information on lodging and other activities of interest. Ms. Myrick encouraged everyone to attend and thanked Mr. Hayes for his kind invitation.

There were no other items on the agenda. Ms. Myrick remarked that the 2001 Annual Report is available from the Agency's website.

Ms. Myrick recognized and welcomed Vickie Dearborn, a new employee who will be assisting in Board business and other tasks.

Ms. Myrick congratulated Laura Swanson, Director of Section 8 Rental Assistance, for her selection as this year's Tennessee Government Executive Institute (TGEI) participant. Participation is limited to 30 top executives statewide and this year the Department of Personnel is providing the funding.

There was no further business to come before the Board and the meeting adjourned.

Respectfully submitted,

Janice L. Myrick  
Executive Director

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